



Fiscal Year 2011 Review and Final Discussion of Budget Materials

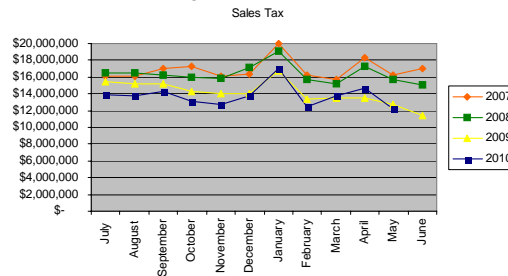
Mayor and Council
June 8, 2010

General Fund Revenue Update

- The FY 2010 Revised Budget estimates are the starting point for the FY 2011 Recommended Budget.
- We monitor the revenues closely and believe that the revenue estimates for FY 2010 will exceed the Revised FY 2010 revenue estimates included in Recommended Budget.
- We believe the estimates included in the Recommended FY 2011 are realistic and do not recommend revising the estimates at this time.
- We will be receiving \$16.8 million less in state-shared income tax.
- Revenues include full-year increases to department charges for services revenues approved by Mayor and Council in January 2010 (e.g. Fire medical, Development Services, Parks)
- FY 2011 Revenue will be monitored as actual revenue is collected during the year; Mayor and Council will be kept informed.

Sales Tax

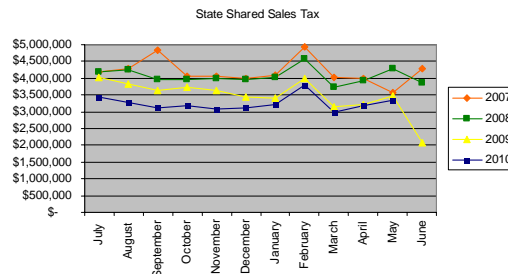
- Based on 11 months of collections for FY 2010, Sales Tax revenue will exceed the revised budget estimate.
 - YTD FY 2010 Sales Tax collections are down 4.25% compared to the same period last year (May FY 2009).
 - The Revised Budget estimated Sales Tax revenue would be down 6.31%.
- FY 2011 Budget includes revenue for FY 2011 equal to the FY 2010 revised estimate.
- Collections for prior 6-months down 0.31% (\$264k out of \$84 million)
- Collections for prior 5-months up 0.08% (\$52k out of \$69.9 million)
- We believe this estimate is realistic but given the volatile and critical nature of this revenue source we will monitor collections on a monthly basis and report to you if it appears the trend is not supporting our estimate.



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State Shared Sales Tax

- Based on 11 months of collections for FY 2010, State Shared Sales tax revenue will exceed the revised budget estimate.
 - YTD FY 2010 State Shared Sales Tax collections are down 9.57% compared to the same period last year (May FY 2009).
 - The Revised Budget estimated State Shared Sales Tax revenue would be down 12.65%.
- FY 2011 Budget includes revenue for FY 2011 of \$37.3 million, \$1 million more than the FY 2010 revised estimate. This estimate is \$2.4 million lower than the AZ League of Cities & Towns. We believe this estimate is realistic but given the volatile and critical nature of this revenue source we will monitor collections on a monthly basis and report to you if it appears the trend is not supporting our estimate.



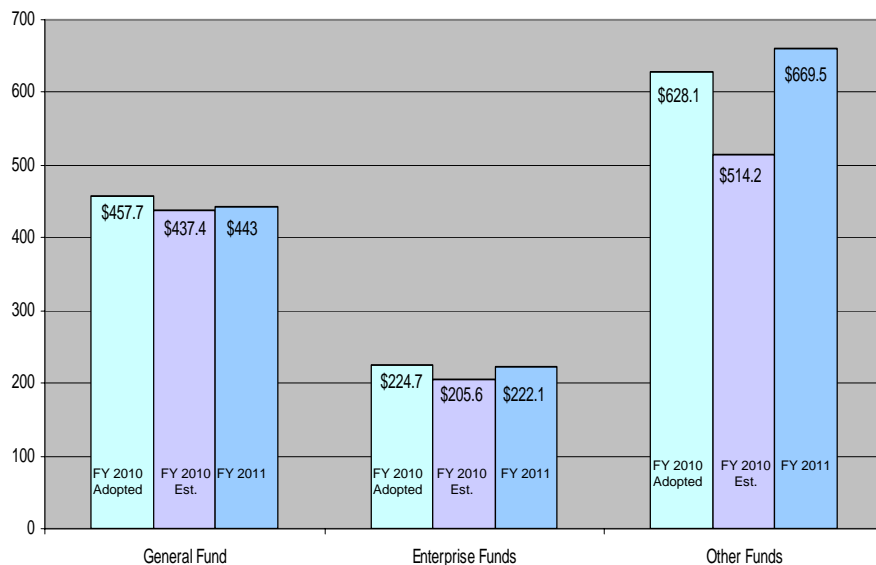
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Balanced Fiscal Year 2011 General Fund

- Third year of temporary, non-recurring fixes:
 - FY 2009: debt restructuring, use of \$14M reserves
 - FY 2010: furloughs, freeze of uniform maintenance allowance, Grace settlement (budgeted but not received), debt restructuring, Rio Nuevo loan repayment
 - FY 2011: furloughs, debt restructuring, land sale/asset leaseback
- Short-term FY 2011 fix of structural deficit:
sale of land/sale and asset leaseback to provide revenue capacity for proceeds; to be pursued as necessary to provide funds to cover gap

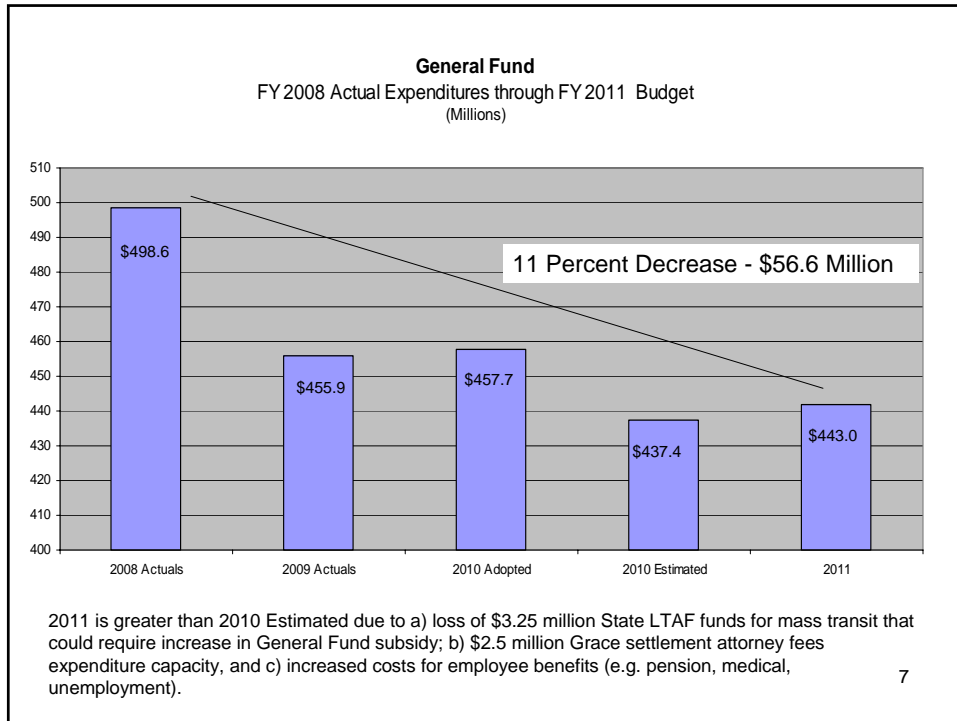
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Comparison of FY 2010 Adopted, FY 2010 Estimated, and FY 2011



FY 2010 Adopted: \$1.310 billion; FY 2010 Estimated: \$1.157 billion; FY 2011: \$1.334 billion

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Arizona Revised Statutes Chapter 17, Article 3 “Local Government Budgeting Process” REQUIREMENTS

- Estimated expenditures and revenues
- A complete disclosure and statement of the contemplated expenditures for the current fiscal year, showing the amount proposed to be spent from each fund and the total amount of proposed public expense (auditor general schedules).
- Shall not spend money for a purpose that is not included in its budget.

Tonight's Regular Agenda

- **Tentative Adoption of Budget** – to set maximum expenditure limits (spending cap)
- **Public Hearing – Truth in Taxation:** required if levying a **primary** property tax greater than amount levied in preceding year
 - Primary \$0.3290 (FY 11) vs. \$0.3144 (FY 10): \$32.90 on \$100,000 assessed valuation; \$1.46 increase
 - Secondary \$0.6261 (FY 11) vs. \$0.6200 (FY 10): \$62.61 on \$100,000 assessed; \$0.61 increase

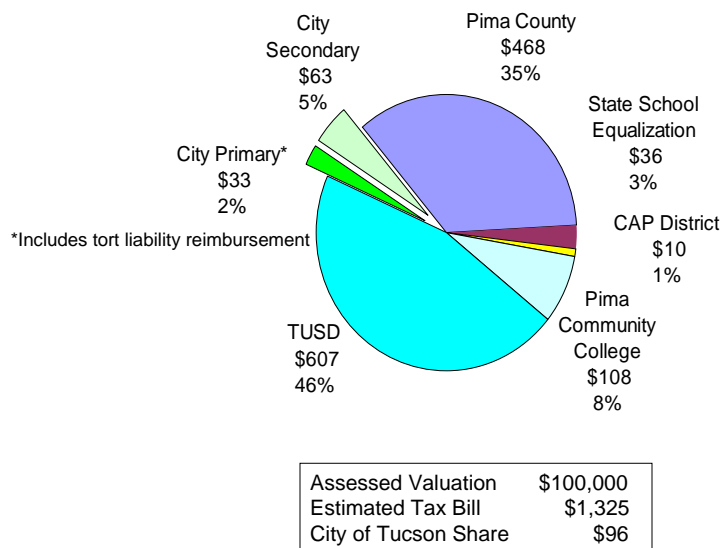
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Primary Property Tax

- FY 2010 Levy: **\$11,404,150**
- Maximum FY 2011 Levy: **\$11,798,560**
equals less than 3% of General Fund revenues
statutorily limited to an increase of 2% over previous year plus any increase due to new construction and annexed property
- Reimbursement of tort claim FY 2009 payments:
(Risk Management Fund) **\$265,000**

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Estimated FY 2011 Property Tax for a City of Tucson Homeowner



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Upcoming

- June 15: Public hearing on budget as tentatively adopted
- June 15: Special meeting for final budget adoption
- June 22: Adoption of property tax levies
- July 1, 2010 - June 30, 2011: FY 2011

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